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An analysis of financial problems for the city of Great Falls

John C. Ingram
The University of Montana

AN ANALYSIS OF FINANCIAL PROBLEMS FOR THE CITY OF GREAT FALLS

by

John C. Ingram

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CHAPTER I

INTRODUCTION

The urban crisis is one of the most widely discussed subjects of our present time. The plight of the cities, involving crime in the streets, urban housing, urban transportation, inflation, hard core unemployment, strikes of public employees, the move to the suburbs, and the erosion of the tax base, are some of the problems receiving attention of every local government today.

> "Philadelphia, faced with a budget gap of between $17 million and $53 million for 1970-71, has put a freeze on hiring in all but critical jobs and is considering laying off 900 city workers.
>
> Caught in this financial squeeze, Detroit began laying off employes to cut costs. Some 350 have been let go . . .
>
> In Los Angeles, faced with a deficit of between $17 million and $31 million, property owners are taxed to the hilt . . .
>
> Seattle has a potential $700,000 deficit on its $79.8 million 1970 budget, spokesmen for Mayor Wes Uhlman say!
>
> Baltimore has had to increase its property taxes. Cleveland has cut back on spending on parks and recreation and laid off employes. St. Louis has a backlog of street repair, building demolition and refuse collection because of money shortages."[1]

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[1] Associated Press, September, 1970.

Thousands of articles have appeared in the newspapers and magazines, and many books have been written concerning the urban problems. Most of this attention has been centered, and rightly so, on the places where the mass of the population is located and most of the problems occur, the large cities. The smaller cities are also having problems, but not necessarily the same problems mentioned above. Nonetheless they are real.

Some of the problems of one of the smaller cities in the 50,000 to 100,000 population group, specifically the city of Great Falls, Montana will be examined in this paper. The particular problem examined is that of adequately financing the city government. Most aspects of the problem examined will be representative of other cities of this group. Financing public education and schools will not be considered as the educational system of Great Falls is completely separated from the city government.

The city of Great Falls differs from many other cities in its population composition since it is nonindustrial. The two largest employers of the urban area, Malmstrom Air Force Base and the Anaconda Company (employing approximately 6,400 and 1,700 persons respectively) are located just outside of the city limits. Neither of these employers contribute to the property tax base of the city. This fact should be kept in mind when comparing financial figures of Great Falls and other cities of its size group.

Information for this paper was obtained through secondary research and personal interviews conducted with selected city officials.

CHAPTER II

CITY FINANCE

The Great Falls City Government and the services it produces are divided into four different categories or accounts for budgetory and control purposes.

These four accounts are the general departments, water department, sewer department, and trust and agency funds.

General Departments

The general department is the largest account and includes the general fund, the library, airport, parks and recreation, streets, city-county planning, and the health department.

The accounts listed under the largest of these, the general fund are: mayor, city council, city clerk, treasurer, engineer, building inspector, city attorney, police court, police department, civic center, ice arena, fire department, city animal shelter, elections, air pollution study, parking meters, parking lots, garage, stores, Rosslyn Apartments (apartment building adjacent to police station which will be used in future expansion of station), and other miscellaneous items.

The four city accounts together are financed by local property taxes, other taxes such as the liquor and beer taxes, reimbursement of operating costs, and from funds generated from some of the different activities, such as airport rental, fines, licenses, parking meter revenue and other miscellaneous items. Also some Federal Aid is received for the airport, city-county planning, library, and civil defense.

When the budgets are drawn up for each fiscal year, the difference between the self-generated and miscellaneous revenue and the projected budgets are made up from property taxes. The amount of property tax to complete the budget for each major account is figured, then the mill rate which could produce this revenue is levied against the particular account. The mill rate that can be levied against any major account, however, is regulated by state law and if the amount required is more than the maximum rate allowed, the budget has to be revised.

A percentage breakdown of general fund revenue and expenditures is shown in Table 1.

The other funds included in the general departments account along with the general fund (library, airport, park, recreation, etc.) are each allotted a separate levy under state law. No transfer of funds is permitted among these accounts. Transfers are allowed, however, within the general fund but cannot be made from any account in the general

department with a surplus to an account with a deficit. A library surplus could not be made available to the airport or parks.

TABLE 1

GENERAL FUND REVENUE AND EXPENDITURES

Revenue	Percent
Property taxes	46.00
Other taxes	8.00
Service charge and licenses	30.00
Reimbursement of operating cost	7.00
Fines	7.00
Civic Center	2.00
Expenditures	
Police Department	31.25
Fire Department	29.00
Civic Center	3.50
Engineer Department	7.75
City Clerk	3.00
Building Inspector	2.75
Parking Lots	2.50
Garage	2.50
Stores	2.25
Police Court	1.75
Treasurer	1.50
Council	1.50
Dog Pound	1.50
Mayor	1.00
City Attorney	1.00
Parking Meters	0.75
Rosslyn Apartments	0.50
Civil Defense	0.25
Air Pollution	0.25
Ice Arena	0.25
Miscellaneous	5.25

Source: City Accountant, Albert Brown

The airport is the agency in the strongest financial position with projected self-generated revenue of $306,300 for 1969-1970 and only two mills assessed yielding revenue of $95,706 from property tax. Only $77,842 of this tax money is ear marked for the airport account. The remaining $21,864 is being placed in a trust and agency account (FAAP 9-24-037, and airport construction account) in order to receive federal aid in the amount of $36,746.

The library fund, the park and recreation fund, and the street fund depend on property taxes for about two-thirds of their revenue. The mill rate levied for each of these accounts is, library fund four and one half mills, park and recreation fund eight mills, and street fund twelve mills for a total of twenty-four and one half or one half mill more than the general fund is allowed.

The City-County Planning Board receives a levy of one mill or $47,853.66 in taxes and various grants from the Federal Government which will amount to about $26,000 in 1969-1970. The board also generates a small amount of revenue through sales and services usually below $1,000 a year.

The health department's revenue is from property taxes budgeted for 1969-1970 at one mill.

Water Department

Water department revenue, as can be expected, is derived almost entirely from water rent. Most of the

residential customers are unmetered, while most of the commercial and industrial customers are metered. A flat rate is charged unmetered customers and the metered customers pay for the water they use.

Water rent amounted to $1,168,417 in 1968-1969, irrigation fees totalled $22,453 and fire hydrant rental was $22,009. The collections including a few additional miscellaneous items together were $1,217,900.

Large capital outlays have been financed in the past by the sale of bonds. When bonds are sold, their proceeds are immediately available for use by the city.

Bonds are retired by calculating the total cost of the bonds and prorating this cost and the principal over the life of the bond. The required number of mills is levied to meet each year's prorated expense. This revenue is placed in a sinking fund with the yearly interest being paid from it and the remainder accumulating to pay off the principal at maturity.

The last bond proposal was brought before the public in 1967 but it was defeated. Following the defeat the water department obtained approval from Montana Public Service Commission to increase water rates forty-five percent in order to raise money for plant expansion. The surplus from this rate increase is being invested in government bonds for expansion when adequate capital is accumulated.

The advantage of this method over debt is that as the necessary capital is accumulated, interest is earned rather than being paid out. The disadvantage is that the capital is not immediately available and the project must be delayed. This delay may have serious effects on the community. Also in a period of rapidly rising inflation, the cost of the project may be substantially higher.

Sewer Department

The sewer department is financed in much the same way as the water department. Its revenue comes from assessments collected from property owners. This revenue in the past has been just high enough to cover expenses and no major capital outlay. The City Council is the controlling agency over sewer rates.

As in the water department, expansion of the sewer system has been financed by debt. Again as in the water department, a bond proposal for sewer plant expansion was defeated in 1967.

Sewer assessments have been raised and a fund is being accumulated for expansion purposes. Help in the form of federal and state funds is also in the offing.

Recent enactment of water pollution bills (1970) by the federal and state governments authorize help from these agencies up to eighty percent of cost for waste water treatment plants and trunk lines.

Trust and Agency Fund

The remaining funds are found in the Trust and Agency group. Most of the revenue for this group comes from special taxes or assessments and property taxes. Table 2 lists the Trust and Agency Accounts and their receipts for 1968-1969.

The funds listed in the table and their means of revenue are largely self-evident. However, a brief description of the Special Improvement Districts Fund will be given.

When the residents of an area or the developer of an area outside of the city limits decide to become part of the city, they partition the city for admission. After admission to the city, the city sells bonds to raise enough capital to pave the streets of the new area, put down sidewalks, lay water mains, and sewer lines or whatever is to be done. These are usually twenty year bonds and a special assessment is placed on each lot in the area in order to pay off the bonds. In this manner the cost of this additional capital outlay is born only by the property owners whose property lies in the special improvement district.

Special improvement areas are not limited to annexed areas; however, any area where such improvements are made, be it new or old, fall into this special category.

TABLE 2

TRUST AND AGENCY RECEIPTS FOR 1968-1969

Fund	Receipts
Lighting Maintenance	
Special Taxes	$210,371.93
Miscellaneous Receipts	355.38
Boulevard Maintenance	
Special Taxes	14,157.05
Garbage Removal	
Special Taxes	389,780.86
Miscellaneous Receipts	33,932.77
Special Improvement Districts	
Special Taxes	707,734.12
Special Improvement Maintenance Districts (Hydrants)	27,333.84
Bonds Issued and Premium Received	489,292.33
Revolving Fund Loans	20,491.80
Transfers and Refunds	5,501.60
Special Improvement Districts Revolving	
General Taxes	94,706.43
Special Assessments	3,464.37
Miscellaneous Receipts	1,045.78
Police Pension	
From Officers' Salaries	16,532.18
From City Taxes	141,718.19
Interest on Investments	11,646.00
Firemens' Disability	
From State	45,874.36
From City Taxes	108,748.01
Employees' Retirement	
General Taxes	47,278.32
Payroll Deductions	.00
Miscellaneous Receipts and Transpers	57,902.28
Miscellaneous	
Police Court Penalties	9,888.60
Disaster - U. S. Government	.00
Relocution - State of Montana	5,133.64
Relocution - Transfers	1,759.07
Escrow - Bel-View Palisades	2,206.23

Source: City of Great Falls, Montana; Annual Report for the Fiscal Year Ending June 30, 1969, pp. 52-53.

CHAPTER III

FINANCE PROBLEMS

The city of Great Falls is fortunate in many ways since it does not share all the problems of many other cities. New suburbs have been retained within the city limits, thus, relatively high income taxpayers have been kept in the tax base. Of the 58,000 people who in 1960 were estimated to live in the Great Falls metropolitan area, 55,000 lived within the city limits. The majority of the remainder were located on Malmstrom Air Force Base (1,568 families in 1969, plus a large number of single men), and Black Eagle, the unincorporated town which is located by and around the Anaconda plant.

The non-white population of Great Falls was less than three percent based on U. S. Census data for 1970 as shown in Table 3. Therefore, the minority groups in Great Falls are very much in the minority, and the racial unrest that has plagued many cities has been insignificant. The costs of welfare, medical care and housing for minority group people has not been as serious as in many cities.

Great Falls does have problems, however, the primary one being obtaining revenue. The remainder of this chapter

will discuss the underlying causes which contribute to this total problem.

TABLE 3

POPULATION, HOUSEHOLDS, RACIAL CHARACTERISTICS FOR GREAT FALLS - 1960 & 1970

	1960 Gt Falls Urban Place	1960 Gt Falls SMSA	1970 Gt Falls Urban Place	1970 Gt Falls SMSA
Total Population	55,357	73,418	60,091	81,804
In Households	54,584	71,103	59,220	79,284
In Group Quarters	773	2,315	871	2,520
Number of Households	17,613	22,187	19,585	25,272
Population Per Household	3.10	3.20	3.0	3.1
Racial Characteristics				
White	54,431	71,859	58,314	78,778
Negro	365	517	327	1,067
Other	496	1,042	1,450	1,959

Source: U. S. Census Data

General Fund

The maximum number of mills (24) permitted under state law is levied for the general fund (mayor, city council etc.). Operating under this constraint, it is becoming more difficult each year to balance the budget.

City Expansion

The expansion of the city is one of the major problems causing the revenue shortage. As the city expands, the revenue derived from new property lags behind increased expenditures created by the expansion.

When a new area is brought into the city, a special improvement district is created which finances the necessary improvements as discussed in Chapter I. This special improvement district, however, does not help out with the extra services or the capital outlay which the city must provide for the new district.

Let us assume that all the residential housing built in Great Falls during the years 1964 to 1969 had been built in one tract outside the city limits. Now let us assume further, that this area had petitioned to be annexed and had been approved for 1970. A comparison can then be made of the revenue which would be generated by this new area toward the general fund and the cost which would be borne by the general fund.

If the average population per household, 3.0 (Table 3), is multiplied by the number of residential permits, 669 (Table 4), an estimated population of 2,000 is computed for this area.

TABLE 4

NEW CONSTRUCTION

RESIDENTIAL UNITS

Year	Grand Total Units	Single Units	Grand Total Valuation
1964	330	309	$3,692,315
1965	324	261	3,429,890
1966	171	147	1,997,127
1967	140	96	1,851,799
1968	161	113	1,914,342
1969	187	67	1,991,077
1970	379	147	3,333,284

Source: City Engineer's Records, Great Falls, Montana

The 1970 Great Falls estimated population of 60,091 is divided by the sixty-six policemen and fifty-six firemen[1] on the respective forces, and a specific number of people can be determined to be served by each policeman and fireman

[1] Budget, City of Great Falls, Montana, 1969-1970.

(60,091 ÷ 66 = 910 per policeman, 60,091 ÷ 56 = 1071 per fireman). These two figures are divided into the population of the annexed area (2,000 - 910 = 2.2 policemen, 2,000 - 1071 = 1.9 firemen) to give an estimate of additional policemen and firemen required.

Their salaries may be calculated as follows:

Lowest rate for policemen (7)	$7,140 x 1.2 =		$ 8,568
Second lowest rate for policemen (33)	7,812 x 1 =		7,812
Total salaries			$16,380
Lowest rate for firemen	$7,116 x 1.9 =		$13,520
FICA contribution for additional policemen and firemen	600		
Health insurance, Industrial accident insurance	1,500		
Uniform allowances and training			2,100
Total expenses			$32,000

The new revenue may be calculated as follows:

Total market value	$7,527,193	
Index by which market value is reduced to taxable value	.111[2]	
Taxable value	$ 835,518	
Taxable value		$835,518
Maximum number of mills allotted to the general fund by the state		x.024
Total revenue allotted to general fund		$ 20,052

[2]Article, Great Falls Tribune, July 17, 1968.

As is shown the total general fund revenue from the annexed area is $20,000 and the salaries and expenses of the additional policemen and firemen total $32,000. This leaves a deficit of $12,000 for the general fund. This deficit added to administrative expense, patrol cost, and capital outlay generated by the additional personnel must be paid out of some other source from within the general fund.

The above example demonstrates the financial squeeze which takes place as the city expands.

Inflation

Inflation is another problem which has caused the city great concern. Costs have increased so rapidly, that since 1965 the city has shown a decline (based on the 1957-1959 dollar) in its discounted tax base. As shown in Figure 1, the discounted taxable value of Great Falls property was less in 1970 than in 1962.

During this eight year period (1962 - 1970), the population of the city grew and the services were increased. Payment for the increasing services was made by extracting an increasing total amount of taxes from a decreasing discounted tax base. In order to accomplish this, the tax rates rose approximately 5.4 percent per annum during this period.

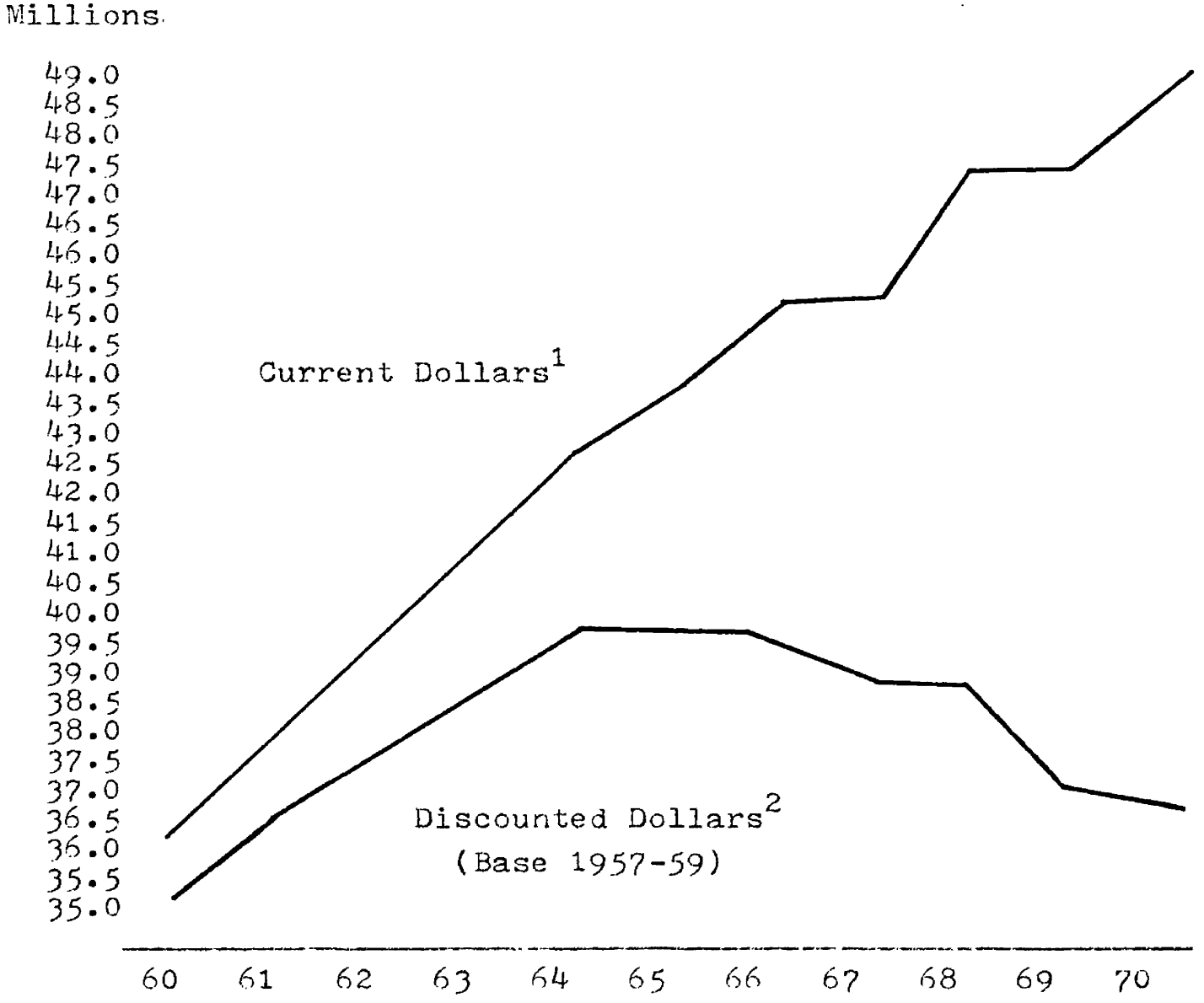

Fig. 1--Current and Discounted Tax Base 1960-70

[1]City of Great Falls Annual Report of Fiscal Year Ending June 30, 1970, p. 57.

[2]Consumer Price Index Used for Computation, Federal Reserve Bulletin, October 1970, Board of Governors, The Federal Reserve System, Washington, D.C., p. 66.

Tax Base

There are several reasons for the declining tax base. One is the slow-down in building which took place over the past few years as indicated by Table 5. The move of businesses to the shopping centers is another.

TABLE 5

BUILDING PERMITS

Year	Number of Permits	Valuation
1958	1,272	$11,092,697
1959	1,202	10,901,799
1960	1,143	13,140,752
1961	999	8,779,429
1962	852	8,683,233
1963	817	12,380,808
1964	765	7,436,753
1965	808	8,622,921
1966	849	7,434,066
1967	767	7,352,716
1968	831	5,259,932
1969	755	13,215,435
1970	969	9,590,124

Source: City Engineer's Records, Great Falls, Montana

When new businesses locate in outlying shopping centers rather than downtown, they pay lower taxes, thus the city receives less revenue. In some instances when a

business moves from a downtown location to a shopping center the building vacated is torn down or becomes delapidated. The city then has a real loss in the difference in the tax base.

An example of the difference in taxes due to location is found in the comparison of the tax base of the Valu-Mart Department Store which is located in an outlying area of the city and the Paris of Montana Department Store which is located on a corner lot in the heart of downtown Great Falls. The land area, the square footage of the buildings or improvements and the assessed value of the two department stores is compared in Table 6.

Even though the land area and the square footage of the Valu-Mart is far greater than that of the Paris, the total assessed value of the Valu-Mart, $383,745, is only $41,445 more than the total assessed value of the Paris, $342,300. The difference in the city property tax which these two department stores would pay based on these figures, would be less than $900.00. This is one of the reasons why there is a movement to the shopping centers and outlying areas.

A number of businesses have been discontinued recently and some old buildings have been torn down, however, over $6,000,000 in new construction was begun in downtown Great Falls in 1969 and $3,676,780 in 1970.

TABLE 6

LAND, IMPROVEMENTS AND ASSESSED VALUATION

OF VALU-MART AND THE PARIS OF MONTANA

	Valu-Mart	The Paris of Montana
Land Area	89 acres	2 city lots (.34 acres)
Assessed Land Valuation	$32,310	$44,160
Listed Improvements	95,133 Sq Ft	20,675 Sq Ft
	1,464 Sq Ft Steel Addition	
	427,175 Sq Ft Paving	
Date of Improvements	1967	1928 Remodeled 1955
Assessed Valuation of Improvements	$351,435	$298,140
Total Assessed Valuation	$383,745	$342,300
Difference	$ 41,445	

Source: Cascade County Assessor's Records, Cascade County Reclassification Files.

This will be a boost to the tax base in the future, but while under construction it detracts from it. Some of this construction is annexation, remodeling, or renovation. As long as a building is undergoing any type of construction, it is stricken from the tax rolls and the land it is on is

taxed as unimproved property.[3] Therefore, while any building is undergoing construction, its value is lost to the tax base for the duration of the construction, even if it had contributed to taxes previous to the start of the construction, and even if a business or concern is still operating from the building as before.

Industry

The lack of industry is a great financial handicap for the city of Great Falls. The largest industrial employer in the cities SMSA is the Anaconda Company which is located outside of the city limits and contributes nothing to the real property tax base. The next largest industrial employers are two flour mills which have close to one hundred employees each (Table 7).

The taxes are borne then, almost entirely by the homeowners, landlords, retail and wholesale trade and service establishments. If the taxes are raised, these are the people who will pay them.

But as was mentioned above, the taxes for the general fund have already reached the maximum. The state law lumps all cities into the same category. A town of 5,000 population is authorized the same tax rate as Great Falls, a town of 60,000.

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[3]Personal interview, Mrs. Helen O'Connell, Alderwoman, Chairman, City Council Ways and Means Committee, October, 1969.

TABLE 7

FIRMS OR AGENCIES--100 OR MORE EMPLOYEES

(ACTUAL OR ESTIMATED)

November 1970

Firms or Agencies	Number of Employees
City of Great Falls (All Departments)	500 - 575
Malmstrom Air Force Base (Civilian Only)	915
Civilian Personnel - 700	
NCO Club - 50	
Officers Club - 40	
Base Exchange - 125	
General Mills	120
Great Falls Meat Company	70 - 100
Montana Flour Mills	100
Burlington Northern Railroad	700 - 740
Rice Truck & Auto (Combined)	100
Montana Highway Department	150
Paris of Montana	70 - 110
Mountain Bell Tel. and Tel.	340
Deaconess Hospital	610
Columbus Hospital	450 - 500
First National Bank	100 - 110
Great Falls National Bank	100
Tribune & Associates	250 - 280
Buttreys Foods	250
Buttreys Department & F. A. Buttrey	120 - 150
Montana Power Company	106 - 125
Anaconda Company	1700
U. S. Post Office	215 - 225
Cascade County Employees	400
Cascade County Convalescent Hospital	200
Sears	100 - 125
Montgomery Wards	140 - 170
Great Falls Public Schools	1200 - 1400
Montana Air National Guard (Guardsmen not included)	230
Seasonal--in excess of 100--depending on contract	
Zook Brothers	300
Sletten Construction	150
Falls Construction	100
Utility Builders	100

Source: Great Falls Chamber of Commerce.

In 1966-67 the population of all the towns in the United States in the population group 2,500 to 5,000 totaled 6.3 million people.[4] This number was less than one half that of the total population of all cities in the 50,000 to 100,000 group. The total expenditure of the smaller cities ($454.6 million) was less than one fourth the total expenditure of the larger cities ($1,990 million). Therefore, while the population compared roughly two to one the expenditure compared four to one.

It does not seem equitable, in view of this information, that the cities in these two population groups be authorized the same tax rates.

In summation, as the expenses mount, inflation increases, the real tax base fails to increase, and the maximum tax rates fixed by law have been reached, the difficulty of the mayor and city council becomes more obvious.

Water Department

The Great Falls Water Department is also beset with problems. Mayor McLaughlin, speaking at a meeting of the Great Falls City Council on November 3, 1969, was quoted in the Great Falls Tribune on November 4, 1969, as follows: "Frankly we're already so deeply involved in trying to find

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[4]U. S. Dept. of Commerce, Bureau of the Census, Finances of Municipalities and Township Governments, 1967 Census of Governments, Vol. r, p. 136.

a solution to the water and sewer problem, I don't know where we will find more time."

The Great Falls Water Department is in such bad financial condition that a moratorium was called on annexation in 1967 and remained in effect until late 1970. The city simply did not have enough water to supply any more customers.

When an addition is annexed into the city, the cost of water mains, and other services are taken care of by the establishment of a special improvement district. The cost of distributing the water is paid for by the new customers on a flat rate charge or by meter. Nothing is paid, however, toward new capital outlay. When the existing water plant is overburdened as it is now, largely because of annexations, the entire city must bear the burden for expansion.

The only means possible to secure the necessary capital has been debt. The debt proposal has to be put to referendum according to state law (see Appendix). The taxpayers defeated such a debt proposal in 1967. The revenue hoped to be derived from this bond issue was to be used to initiate a planned expansion of the water processing facility and trunk lines. This program which has been delayed by the voters was expected to cost $7,250,000.

At this time the city is facing a water supply crisis. The Montana Supreme Court ruled in 1968 the state

law unconstitutional which stated that only taxpayers or property owners were authorized to vote on revenue issues. Until the Montana legislature reconciles this statute with the Supreme Court ruling, there can be no revenue issues brought to a vote or acted upon in any other way.

In a personal interview during October, 1969, Mr. Dell Brick, City Water Commissioner, stated that it was a miracle that the city had not run out of water during the summer of 1969. He said that the pumps ran twenty-four hours a day every day and did not once go off the line. He also stated that during this time some of the storage tanks had only six feet of water left in them.

Mr. Brick, in an interview in November 1970, reiterated the same opinion in regard to the summer of 1970. He also stated that the city had placed more stringent restrictions limiting irrigation and sprinkling. Any person violating these restrictions or wasting water by letting it run in the street would be guilty of a misdemeanor.

These restrictions resulted in a lower demand for water during the summer months of 1970 than in the last few years. Even though the demand was lowered, Mr. Brick stated that the city still came close to running out of water.

The city raised the water rates forty-five percent on January 1, 1969 in an attempt to put aside enough money for expansion purposes. When expansion is financed in this manner, the money must be accumulated before it is spent.

Plans formulated in 1969 called for letting a contract on plant expansion in the fall of 1970 which would be the earliest possible date such a contract could be financed. The construction was expected to take an estimated two years to complete with an estimated cost of $2.2 million, according to Mr. Brick. Mr. Brick also said that the delay in the expansion program proposed in 1967 had increased the expected cost to the $2,000,000 because of inflation. How much the delay will cost is suggested by bids opened on April 12, 1970, which were about twenty-five percent over estimate.

Whether or not the water supply will hold out until the plant is expanded is also unknown. New houses and businesses going up within Great Falls during this period will be an added strain on the supply. If any pumps should fail during the summer months or if power is interrupted to the pumps, the city may be without water.

There are various dangers present when no more water is available and the water lines become unpressurized. Back siphonage may occur and waste water or other impurities may enter the system through breaks in the lines not apparent otherwise. Waste and impurities may be siphoned back up through the mains and reappear through taps when water is again available.

Serious consideration must be given to the ever present danger of fire which is greatly increased when only limited water is available. The fire hydrants receive water

from the same source as regular domestic and commercial taps. There is no need to dwell longer on the seriousness of this danger.

Another opinion on the subject is that the water facilities are adequate and the shortage of water is caused by unmetered users wasting the water. There were only 3,000 metered taps out of a total of 17,000[5] at the end of June 1969. The city has installed meters on a voluntary basis since that time. By March 1971 a total of 4,000 meters were in place with a remainder of 13,000 taps unmetered.

Unmetered users are charged a flat rate based on the number of taps and the number of rooms in their houses. They pay the same monthly fee no matter how much or how little water they use. They incur no penalty for wasting water or not repairing leaky faucets. They do run the risk of being charged with a misdemeanor if they are detected letting irrigation water run into the streets, however, the water wasted inside their homes cannot be detected.

Should meters be universally installed throughout the city, the cost of water would no longer be a fixed cost but a variable cost to the user. The demand for water would become more elastic with the quantity used being partly determined by how much the user is willing to pay. Those who

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[5]Annual Report, City of Great Falls, Montana, for Fiscal Year Ending June 30, 1969.

abused the flat rate fee by wasting water would be penalized should they continue the practice. No doubt their consumption would decline. Therefore, water use in total would likely drop as no one would have an incentive to increase his consumption and everyone would have an incentive to decrease use.

Meters are now being installed for anyone who volunteers. Those who volunteer, of course, expect to benefit or pay less for the metered water than the flat rate fee. These volunteers are mainly low volume users of water and when meters are installed for them their demand for water is not expected to drop substantially, but revenue from them is expected to drop. Mr. Brick stated that the one thousand meters installed since June 1969 are diversified in location so that a change in demand pattern cannot be isolated for these users, however, no change has been apparent in overall demand. Overall revenue has declined slightly.

The capital for the purchase and installation of the meters will come from the same source as the capital needed for expansion of the water plant. It is not conceivable that both programs can be carried out simultaneously. The cost of the first 1,000 meters was not exorbitant but the cost of 13,000 more would be over $1,300,000. Also the administrative cost of reading the meters and billing would have to be considered.

Should the city council decide to install the meters first, it could be done more quickly than the plant expansion. If the hypothesis of the saving of water due to metering is correct, then the plant expansion could wait.

If, after the meters were installed, the city were still short of water, the plant expansion would have to be delayed even longer to reaccumulate the money spent on the meters.

Sewer Department

The Sewer Department faces the same type problems as the Water Department for some of the same reasons.

Due to growth of the city and increase in sewerage, the treatment plant needs to be expanded. In the city elections of 1967 a sewer bond proposal was also defeated, leaving no means to finance an expansion program.

According to Mr. Dell Brick, the present sewerage plant is not adequate as to the quantity of sewage it can handle or as to the quality of treatment.[6]

The waste water is returned to the Missouri River after treatment and according to law must be as pure as the receiving water. As more sewage arrives at the treatment plant than can be handled and until the plant provides

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[6]Personal interview with Mr. Dell Brick, City Water Commissioner, October, 1969.

adequate treatment, there is a risk of polluting the Missouri River.

The City Council is authorized to set the special assessment rates for sewage, and the rates have been raised as for water, in an attempt to accumulate enough capital for expansion.

There is hope, however, that federal and state monies may be received to help pay for the expansion. Mr. Brick said that a federal bill had been passed recently, that authorized the federal government to pay thirty percent of the cost for waste water treatment plants and trunk lines, and also pay an additional twenty-five percent if the state government contributes twenty-five percent. Thus, the cities would only have to come up with twenty percent of the cost. Mr. Brick went on to relate that the Montana State Legislature had passed a bill authorizing the twenty-five percent contribution for their share, but had not appropriated any money in the budget for such an expenditure.

Mr. Brick said that the city could well afford to pay twenty percent of the cost of a plant adequate for the need, but would have to wait to see what the state legislature does about its share of the expense.

CHAPTER IV

ACTIONS

Do Nothing

There is a definite possibility that the City of Great Falls could luck out. Following the present policies the city might complete expansion of the water and sewer plants before a serious incident occurred. The city expects to receive a grant of between $600,000 and $1,000,000[1] from the United States Department of Housing and Urban Development. With this grant plus the savings accumulated ($350,000 as of November 1970)[2] work could be started on water plant expansion in the spring of 1971. The expansion could be completed in two years.

The federal and state funds for the sewer plant could also be released in early 1971. The state legislature will be meeting for a second special session in June 1971 and if state funds are authorized and released, the federal funds will also be released. With the state and federal government contributing eighty percent of the cost, the city

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[1]Personal interview, Mr. Dell Brick, City Water Commissioner, November 1970.

[2]Ibid.

would have no problem meeting the remainder of the cost. The sewer plant could also be completed within one to two years.

The general fund might also hold out without any reduction in services until the state legislature raises the twenty-four mill ceiling or removes the police and fire department from the fund. There is also the possibility that the tax base of the city might someday increase at a rate more rapid than the rate of inflation and the cost of additional services.

Cost Reduction

The City of Great Falls may soon be forced to cut back on cost. If revenue does not keep up with rising cost and additional revenue is not found, cutting cost may be the only alternative other than running out of money completely.

Reduction of cost can be accomplished by reducing services, reducing the number of personnel, or reducing their salaries. None of these methods is desirable, but as a last resort they might have to be applied.

The most costly services supported by the general fund are police and fire protection, therefore, the largest cost reductions could be made here. Reduction in services by the police and fire departments might also be the least desirable. A way is needed to reduce the number of personnel with a minimal effect on services.

Integration of the fire and police departments might achieve this to some degree of success. Personnel could serve double duty as both policemen and firemen.

The City of Peoria, Illinois has been operating an integrated police and fire department for the past few years. Mr. Charles Benard, administrative assistant to the City Manager of Peoria, stated in a telecon on November 20, 1970, that a study of the Peoria police and fire department released on November 10, 1970, disclosed that the cost of the integrated operation in Peoria was $4.6 million more than separate departments would have cost. Mr. Benard related that the city had integrated the departments when money ran out and twenty-nine firemen had to be laid off. Integrating the departments seemed to be the best thing to do to provide adequate service at the moment of crisis, but it cost a great deal over the long term. The City of Peoria is presently planning to go back to separate departments.

Other methods of cutting cost are the use of part-time or volunteer firemen supplementing full-time firemen, and integration of some city and county offices and departments.

Raise The Tax Rate

Another alternative would be to raise the tax rate. This measure would benefit only the general fund as the water rates and sewerage rates are not affected by taxes.

A ratio of city finances for the year 1967 comparing the City of Great Falls to the mean of all U. S. cities in the 50,000 to 100,000 population group as of 1960 is shown in Table 8.

For the year 1967 and based on the 1960 census the Great Falls population was 79.6 percent of the mean but the general revenue was only 57.6 percent. Property taxes only were 50.8 percent of the mean national level, which is closer to the 57.6 percent figure for general revenue.

Police protection cost for Great Falls was 41.6 percent, while fire protection was 60.1 percent of the mean. At the same time, the number of full-time policemen and firemen per 1,000 population was respectively sixty-six and sixty-one percent[3] of the median for cities of this population group.

No attempt was made to rate the quality of fire and police protection received in Great Falls at the present time. Should city officials see some need, however, to expand these departments to be closer to the national median a primary constraint would be the twenty-four mill ceiling for the general fund.

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[3]The International City Managers Association, The Municipal Year Book 1968, (The International City Managers Association, 1968), pp. 321-352.

TABLE 8

CITY FINANCES

GREAT FALLS COMPARED TO MEAN OF CITIES

OF 50,000 TO 100,000 POPULATION

	Great Falls	Mean	Ratio Great Falls to Mean
Population	55,357	69,495	.796
General Revenue	5,923,000	10,277,799	.576
Intergovernmental Revenue	966,000	2,363,809	.408
From State Government Only	397,000	1,816,092	.218
Revenue From Other Sources	4,957,000	7,913,989	.626
Taxes	2,475,000	5,917,228	.418
Property Only	2,398,000	4,716,320	.508
Other	...	1,200,907	...
Charges	2,482,000	1,996,760	1.243
General Expenditures	7,542,000	10,815,940	.697
Health	45,000	93,445	.481
Police	442,000	1,062,342	.416
Fire	562,000	934,603	.601
Sewerage	301,000	629,853	.477
Other Than Capital Outlay	181,000	239,559	.755
Sanitation	408,000	473,913	.860
Parks	874,000	586,043	1.491
Libraries	973,000	194,000	5.015
Financial Administration	30,000	196,918	.152
General Control	173,000	271,891	.636
Public Buildings	67,000	196,396	.341
Interest on Debt	137,000	367,462	.372
Debt	11,946,000	16,620,070	.713
Long-Term Debt	11,613,000	14,672,870	.791
Full-Faith and Credit	2,246,000	8,811,445	.254
Utility Revenue	1,068,000	1,965,027	.543
Utility Expenditure	1,281,000	1,934,291	.662

Source: Finances of Municipalities and Township Governments, U. S. Dept. of Comm., 1962 Census.

Since the city property tax was only half of the national mean for cities of its group, it would not seem that the taxpayers would be unduly overburdened if the tax was raised.

A tax levy of twenty-four mills (2.4 percent) was budgeted for the general fund for fiscal year 1969-70. Mrs. Helen O'Connell, Chairman of the City Council Ways and Means Committee, and Mr. Albert Brown, Chief Accountant, for the City of Great Falls, stated in an interview in October 1969, that this rate was the maximum rate allowed by Montana statute.

The only way this tax rate could be raised, they believed, was for the Montana Legislature to change this law by raising the maximum rate across the board for all cities, or raise the rate for cities of the first class or the larger cities. Mrs. O'Connell believed that even a better remedy would be for the legislature to remove the police and fire departments from the general fund and set these two departments up as a separate account with a separate allocation of the mill levy.

The statute regulating the tax rate for the general fund reads as follows:

> "The amount of taxes to be assessed and levied for general municipal or administrative purposes in cities and towns must not exceed two and four-tenths (2.4%) percentum of the assessed value of the taxable property of the city or town, . . ." (See Appendix)

The twenty-four mills budgeted for the fiscal year 1969-70 was allocated against the taxable value of the property of the city, but not the assessed value of the property.

Cascade County makes all assessments for the county and city and collects all taxes. The County Reclassification office assesses property at forty percent of its market value. A taxable value is then assigned to the property, which is thirty percent of the assessed value. The taxes for any real property are calculated in this manner. The tax rate is applied against the taxable value only, to determine the amount of tax charged.

The taxable value of property in Great Falls in 1969 was $47,853,635. The assessed value was $178,876,809 (Table 9). The twenty-four mills of the general fund equaled 2.4 percent of the taxable value or $1,148,487.84.

The law reads that the amount of taxes must not exceed 2.4 percent of the assessed value of the taxable property. If the law is interpreted to mean that the ceiling for the general fund is 2.4 percent of what the county refers to as "assessed value" or $178,876,809 for 1969, then the present tax rate is well below the ceiling, as 2.4 percent of $178,876,809 equals $4,293,043.42.

Mr. William Conklin, City Attorney, said that if the county would levy the taxes against the assessed value instead of the taxable value, the problem of financing the general fund would be solved. An official in the County

TABLE 9

TAXABLE PROPERTY VALUATION AND TAXES LEVIED
1960-1970

Year	Estimated True Value	Taxable Value	Tax Levy Mills	Taxes Levied
1960	139,273,938.00	36,341,975.00	50.15	1,882,550.00
1961	143,649,068.00	38,073,610.00	50.65	1,928,428.35
1962	148,832,552.00	39,502,035.00	50.35	1,998,925.70
1963	156,099,487.00	41,290,857.00	48.21	1,990,632.36
1964	161,180,470.00	42,813,743.00	49.30	2,110,717.53
1965	164,303,836.00	43,941,218.00	53.93	2,369,749.89
1966	168,978,738.00	45,126,213.00	53.76	2,425,973.76
1967	170,017,778.00	45,441,800.00	59.64	2,710,148.95
1968	180,096,799.00	47,824,484.00	60.92	2,913,438.08
1969	178,876,809.00	47,853,655.00	69.41	3,321,522.53
1970	183,335,524.00	48,933,687.00	68.83	3,368,105.88

Source: City of Great Falls Annual Report of Fiscal Year Ending June 30, 1970, p. 57.

Reclassification office said that it made no difference which value was used for tax purposes because the tax rate could be varied to extract equal amounts of revenue.

A ruling on this question should be made at state level. Great Falls would have no problem financing the general fund, if the ceiling is actually 2.4 percent of the "assessed property value" as identified by Cascade County. A much higher mill rate could be applied to the taxable value without exceeding the legal limit. On the other hand, if the City Council is right, the city will have to seek relief from the state legislature before taxes can be raised.

License

The City Council is authorized to license all industries, pursuits, professions and occupations within the city[4] (see Appendix). At the present time the only licenses required are for selling beer, liquor, and cigarettes, operating bowling alleys, theaters, pool halls, second-hand stores, junk stores, and pawn shops. Also licenses are required for peddlers, dealers, housemoving, electric wiring, trailer courts, drain layers, plumbing and gas fitters, and a few other miscellaneous operations.[5]

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[4]Rev. Codes of Mont., 1947, Vol. 1, part 2, Title 11-903 (5039.2), p. 662.

[5]Annual Report, City of Great Falls, Montana, For Fiscal Year Ending June 30, 1969.

The license ordinance is a regulatory ordinance and not supposedly intended for revenue. It would seem, though, that there should be no fault found in killing two birds with one stone.

If the City Council saw fit to use its full powers and license every agency for which it is so authorized, it is probable that additional revenue of from $50,000 to $75,000,[6] depending upon rates and coverage, could be brought into the general fund.

Mr. William Conklin, City Attorney, City of Great Falls, stated in an interview in November, 1970, that a proposed license ordinance had been considered by the city council each year since 1965.

He believes that the council has failed to pass the measure because of pressure (which is mustered up each year) against the ordinance from the Great Falls Area Chamber of Commerce. He stated that most of the cities in Montana already had such ordinances. Copies of license ordinances from Billings, Missoula, Butte and Bozeman were on hand in his office.

The ordinance will again be presented to the city council for consideration in 1971.

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[6]Personal interview with Mr. William Conklin, City Attorney, City of Great Falls, November 1970.

Annexation of Anaconda Company Plant

Great Falls needs industry badly to broaden its tax base and to take pressure off the homeowners. There is an industry right next door to Great Falls, sitting there like a giant plum waiting to be plucked, the Anaconda Company smelter and reduction plant.

The plant and land, not including personal property, has an assessed value of $4,392,264, or $1,319,679 tax value. This tax value would be added to the tax base of the city and would raise the value of a mill by $1,317.69. That is, it would raise the value of the mill if the plant were annexed into the city. The tax on the plant would add $31,624.56 to the general fund and $91,460.87 in total tax.

The only way the city could annex the plant as the present law reads, would be for the Anaconda Company to agree to the annexation in writing.[7] This is a very remote possibility.

The law in question (see Appendix), reads almost as if it were written by the Anaconda Company, and at the time of the writing, no doubt the company exerted a high degree of control over the state. However, the law could be changed by the state legislature to allow Great Falls to annex the plant. This would not only have an impact upon the city of

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[7]Rev. Codes of Mont., 1947, Vol. 1, part 2, Title 11-403 (4978), p. 620.

Great Falls, but would be felt throughout the state as many other plants and smelters could be annexed by other cities and towns.

Sales Tax

Non property taxes are gaining in popularity as additional means of generating revenue. Sales tax is one of the most popular forms of these taxes.

> "The dominance of the property tax as a source of tax revenue for local governments rests chiefly on the scarcity of alternatives. A local government has a limited and artificial territorial jurisdiction; movement of persons and some types of property beyond its boundaries is easy, and this movement may be induced by different local tax rates. But real property, and especially real estate, is immobile, and it can therefore be taxed by local governments with a less acute fear of consequences.
>
> "These simple generalizations are, however, less forceful and applicable for some types of local governments than others. A large city may have advantages as a center for distribution or manufacturing that are not greatly impaired by a city sales or income tax. A large city will, moreover, have administrative resources that may enable it to handle taxes quite beyond the capacity of a small city."[8]

Great Falls is not a large city but should it ever put into effect a general or selective sales tax it would probably be capable of administering it. The location of Great Falls and the scarcity of other available markets in the general area are favorable conditions for a local sales

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[8]James A. Maxwell, Financing State and Local Governments, (The Brooking Institution, August, 1965), p. 157.

tax. Retail sales for the City of Great Falls, for example, are expected to be $161,578,000 in 1969 and $169,387,000 for Cascade County (Table 10). There are few other places in the county or in a ninety mile radius to shop.

TABLE 10

SALES MANAGEMENT

	City of Great Falls	Metropolitan Area Cascade County
1967		
Retail Sales	$149,958,000	$157,964,000
Effective Buying Income		
Total	169,601,000	213,182,000
Per Household	8,193	8,199
1969		
Retail Sales	161,578,000	169,387,000
Effective Buying Income		
Total	191,816,000	236,379,000
Per Household	8,799	8,787

Source: Great Falls Chamber of Commerce.

A sales tax would bring a contribution from the Malmstrom Air Force Base personnel who live on base and do not contribute to the property taxes. Also the many farmers and out-of-towners who come to Great Falls from miles around to shop, would make a contribution along with the tourist and the many convention delegates who meet in Great Falls each year.

> "The general sales tax was by far the most productive of local nonproperty taxes in 1963, yielding thirty-eight percent of total nonproperty tax revenue. This tax was levied by approximately 2,000 local governments . . . . selective sales tax produced $518 million--19 percent of the total."[9]

Facts and Figures of Government Finance, published in 1969 by Tax Foundation, Inc., lists by states over 2,400 municipalities which in 1968 levied a sales tax with rates ranging from .25 percent to four percent. Also indicated was that the total number of cities levying such a tax was unavailable.

If a one percent general sales tax had been levied in Great Falls in 1969 and using the retail sales figure mentioned earlier, a revenue of $1,615,780 would have been collected. This is about forty-eight percent of the property taxes budgeted for 1969-1970. If a more reasonable rate of .25 percent were used, over $400,000 would be collected which should be sufficient.

Sales tax would have the advantage of spreading its effect over a wider range of taxpayers. Property taxes could be lowered relieving the homeowner to some extent, and the tax revenue would increase with city growth. Sales tax would also provide a hedge against inflation as the tax will rise as prices rise.

The disadvantages of a local sales tax could be serious. A shift of retail businesses to locations outside

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[9] Ibid., p. 159.

the city limits and beyond the zone of the sales tax might occur. Such a shift would not only lower the revenue from the sales tax but also add to the deterioration of the property tax base. Local merchants could suffer due to a shift away from the city markets. The automobile and farm equipment retailers especially might suffer.

The impact of a .25 percent general sales tax might not be that severe, however. The tax on a $6,000 automobile or farm tractor would only be $15, which would not be viewed as more than a nuisance to the buyer. The average amount of sales tax a family of five with a gross income of $15,000 could expect to pay per annum would be less than $20 according to U. S. Department of Internal Revenue tables.

The easiest and best way to implement a local sales tax is to have it included in a state sales tax. The State of Montana does not have a general sales tax at the present time, however, if one is adopted, Montana's League of Cities and Towns is already on record requesting a share of it.[10]

Income Tax

The municipal income tax is another form of the nonproperty tax which is gaining in popularity. For the

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[10]Article, Great Falls Tribune, November 20, 1970.

year 1963, "Income taxes yielded eleven percent of non-property tax revenue."[11] In 1968 over 250 cities and towns levied this form of tax with tax rates from .25 percent to six percent.[12]

If the City of Great Falls levied a gross income tax of .25 percent, it could expect to bring in over $450,000 as the total effective buying income of Great Falls for 1969 as listed in Table 10, at about $192 million.

This tax too would obtain a contribution from more than the residents of Great Falls as it would tax those who work in town but live outside of the city limits. However, it would miss the city's two largest employers, Malmstrom Air Force Base and the Anaconda Company. The tax base then would not be as broad as the base for the sales tax.

Other disadvantages also should be considered.

> "The defects of these local nonproperty taxes are plain. Because of the limited geographic jurisdiction of the governmental units, the distribution of employment and purchasing is distorted. Decisions of workers, firms, and consumers are altered, impairing efficiency. Compliance costs are high, especially for firms that do business in many taxing jurisdictions. The injurious effects of the taxes may not be confined to the local areas that levy them; they may affect the economic development of the state, and, more obviously, state governments may find their

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[11] James A. Maxwell, Financing State and Local Governments, (The Brooking Institution, August, 1965), p. 159.

[12] Facts and Figures of Government Finance, (Tax Foundation, Inc., 1969), p. 240.

> freedom to use taxes hindered by prior occupancy of their local units. The types of nonproperty taxes in common use do not, moreover, rate highly on grounds of equity even when levied by a large geographic jurisdiction. Local levy aggravates and adds to the inequities, since incidence depends upon residence inside or outside the boundaries of a city."[13]

The State of Montana does levy a personal income tax. It would not be difficult for the state to raise this tax a certain increment and prorate the proceeds to the cities. In fact Montana's League of Cities and Towns has already asked that this be done.

> "Montana's League of Cities and Towns directors meeting here, voted to ask the 1971 legislature to impose a ten percent 'Surtax' for their use on state personal income taxes.
>
> "Such a surtax would have raised $4.2 million in fiscal 1970-71, Dan Mizner, league executive director, said. Mizner said the surtax, which has been under consideration by the league for several months, would be paid by all income taxpayers--not just those living in cities and towns."[14]

Debt

Debt is of benefit only to the Water and Sewer Departments. Debt, according to state statutes, cannot be used to finance the current operation of the accounts under the general fund, such as the Fire and Police Department.

Debt could solve the problems of the Water and Sewer Departments. The only drawback is that at the present time

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[13] Maxwell, p. 162.

[14] Article, Great Falls Tribune, November 20, 1970.

there is no way by which debt can be procured for the purposes for which it is needed. The reason being the conflict between the Montana Supreme Court and Montana law. Even if there were no conflict and the city were allowed to sell bonds, there is the possibility that they would be unsalable during present monetary conditions. Montana law limits the interest rates on municipal bonds to six percent which is not an attractive rate at this time.

Private Utilities

The procurement of water from a private utility might be another alternative to the water problem. Debt financing for a private enterprize would not be hampered by regulated interest rates and bonds could be sold by the utility without a public referendum.

This is a fairly popular procedure. The Municipal Year Book for 1968, published by the International City Managers Association, Washington, D.C., lists fifty-one cities (almost 20%) out of 272 cities in the 50,000 to 100,000 population group which do not own their own water facilities.

Should the City of Great Falls decide at this time to obtain a private supplier, it could possibly take as much or more time to reach the desired operation level as it would take the present city owned water department to reach the same level.

CHAPTER V

SUMMARY

Water Problems

The Water Department is expecting a grant from the U. S. Department of Housing and Urban Development (HUD), which would enable it to start plant expansion in the near future, but no funds are available for expansion of trunk lines. At the same time the city plans to install meters for volunteers at a cost of $100 per installed meter.

A decision should be made to install meters universally or not at all. If only meters are installed for those who volunteer the demand for water is apt to remain the same and the revenue be reduced. If meters are installed universally, the demand might drop low enough to postpone expansion of the plant.

There would be enough money from accumulated revenue along with the grant from HUD to completely install meters or expand the water plant and possibly do both. Should the meters be universally installed and the demand fail to drop low enough, the citizens of Great Falls still might run out of water or have it severely rationed before the plant could be expanded adequately.

On the other hand, if the plant was expanded before the meters were installed, the installation of the meters would then become a "luxury" item for the city rather than a necessity. The plant should be expanded first.

Sewer Problems

The state legislature, in the 1971 session, appropriated $4 million to be matched with Federal and local funds for sewage treatment plants. Federal funds have been withheld pending the making of studies required by the Environmental Protection Agency. About fifty percent matching money from Federal sources is expected along with $1.25 million state appropriation (out of the $4 million) for the $5 million Great Falls sewage treatment project. About half the cost would be borne locally.

General Fund

The first thing which should be done is obtain an interpretation or ruling from the state on Title 84-4701 (the title which sets the general fund ceiling) of the Montana Revenue Code as to whether the ceiling for the fund be limited to 2.4 percent of the taxable value of the property or the assessed value of the property in Great Falls.

Should the ruling be favorable, the revenue from property taxes could be raised. Should the ruling be unfavorable, the city should seek help from the state legislature asking for either a higher ceiling or that the Police and

Fire departments be removed from the general fund and given a separate allocation.

A license ordinance should be envoked as soon as possible. There would be an immediate gain in revenue and implementation lies fully within the power of the City Council. The ordinance is common in other large cities of Montana, and Great Falls has no peculiar characteristic which would make the ordinance less practical or less desirable.

The city should begin a campaign to annex the Anaconda Company plant and smelter. Annexation will not come about overnight nor without opposition from the Company. The sooner the campaign is started, the sooner annexation will be achieved.

The Anaconda plant could not survive without the labor force drawn from the city and it should pay its fair share to the City of Great Falls.

Conclusion

The City of Great Falls is faced with various financial problems. The apparent necessity of a major capital investment for increased water supply has been viewed as the most pressing. It is highly probable, however, that the real need is much less than the apparent need since the lack of water meters encourages wholesale waste. Improved and added sewage treatment facilities to comply with new federal

standards are urgent. New facilities have been added to the Fire and Police departments, but revenue for additional personnel will be needed. Services are being sought by new areas being added to the City, and maintenance work on streets and other existing facilities is becoming increasingly burdensome as the "real" tax base shrinks due to rapidly increasing costs. The solution apparently does not lie in curtailed services, since an unfavorable reputation earned by inferior service is damaging to the City's growth and thus long-run opportunity to improve its tax base. The possibility of making savings through combining the Police and Fire departments did not appear to be a worthwhile course of action.

The solution apparently lies in finding new sources of revenue, and three possibilities were suggested. The licensing of businesses would appear to be consistent with the policies of other cities and well within the province of the City Council. The second solution would be a redefinition of the general fund ceiling to permit increased property tax revenue. The third alternative would be the imposition of a city sales tax as part of a general state sales tax program. This does not constitute an immediate opportunity, however, until the state initiates a comprehensive sales tax. No matter what course of action is chosen by the City Council, it is important that decisions be made quickly.

APPENDIX

STATE LAWS AFFECTING CITY FINANCING

General Fund

"84-4701 (5194) Limitation on amount of tax for municipal purposes--distribution of funds--levy for park, swimming pools, playgrounds, youth centers and other purposes. The amount of taxes to be assessed and levied for general municipal or administrative purposes in cities and towns must not exceed two and four-tenths (2.4%) per centum of the assessed value of the taxable property of the city or town; and the council or commission in each city or town may distribute the money collected into such funds as are prescribed by ordinance; . . . ."[1]

Annexation

Title 11-403 describes how the boundaries of a city of the first class such as Great Falls may be extended. It also describes how an industry such as the Anaconda Company's reduction plant located adjacent to Great Falls may repel any annexation.

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[1]Rev. Codes of Mont., 1947, Replacement Vol. 5, part 2, Title 84-4710, p. 303.

"11-403 (4978) . . . such council shall duly and regularly pass and adopt a resolution to that effect, the boundaries of such city of the first class shall be extended so as to embrace and include such platted tracts or parcels of land or unplatted land for which a certificate of survey has been filed, the time when the same shall go into effect to be fixed by such resolution; provided however, that land used for industrial or manufacturing purposes shall not be included in such city under the provisions of this section without the consent in writing of the owners of such land, and further provided that such resolution shall not be adopted by such council if disapproved, in writing, by a majority of the resident freeholders, if any, of the territory proposed to be embraced . . . .

"Provided also, that cities of the first class may include as part of such city and platted or unplatted tract or parcel of land that is wholly surrounded by such city upon passing a resolution . . . . and such land shall be annexed, if so resolved, whether or not a majority of the resident freeholders, if any, of the land to be annexed object; provided however, that land used for agricultural, mining, smelting, refining, transportation, or any industrial or manufacturing purpose . . . shall not be annexed under this provision."[2]

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[2]Rev. Codes of Mont., 1947, Second Replacement, Vol. 1, part 2, Title 11-403 (4978), p. 620.

Special Improvement Districts

This title authorizes the establishment and financing of special improvement districts.

"The city or town council has power: to create special improvement districts, designating the same by number; to extend the time for payment of assessments levied upon such districts for the improvement, thereon for a period not exceeding twenty years; to make such assessments payable in installments, and to pay all expenses of whatever character incurred in making such improvements with special improvement warrants, which warrants shall bear interest at a rate not to exceed six percentum per annum."[3]

Debt

These titles describe the process by which a city may be authorized indebtedness and regulates and limits this indebtedness.

"Whenever the council or commission of any city or town having a corporate existence in this state, or hereafter organized under any of the laws thereof, shall deem it necessary to issue bonds for any purpose whatever, under its powers as set forth in any statute or statutes of this state, or amendments thereto, the question of issuing such bonds shall first be submitted to the electors of such city

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[3]Rev. Codes of Montana, 1947, Vol. 1, part 2, Title 11-982 (5039.79), p. 689.

or town who are qualified to vote on such question, in the manner hereinafter set forth; . . . ."[4]

"The city or town council has power: (1) To contract an indebtedness on behalf of a city or town, upon the credit thereof, by borrowing money or issuing bonds for the following purposes, to wit: Erection of public buildings, construction of sewers, sewage treatment and disposal plants, . . . waterworks, reservoirs and reservoir sites, . . . the purchase of fire apparatus, street and other equipment, . . . and to pay all or any portion of the cost thereof, and the funding of outstanding warrants and maturing bonds; provided, that the total amount of indebtedness authorized to be constructed in any form including the then existing indebtedness, must not, at any time, exceed five percentum (5%) of the total value of the taxable property of the city or town, as ascertained by the last assessment for state and county taxes, . . . provided, that no money must be borrowed on bonds issued for the construction, purchase, or securing of a water plant, water system, water supply, sewage treatment and disposal plant, or sewerage system, until the proposition has been submitted to the vote of taxpayers affected thereby of the city or town, and the majority vote cast in favor thereof; and, further

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[4]Rev. Codes of Mont., 1947, Second Replacement, Vol. 1, part 2, Title 11-2301 (5278.1), p. 869.

provided, that an additional indebtedness shall be incurred, when necessary, to construct a sewerage system or procure a water supply for the said city or town, which shall own or control said water supply and devote the revenue derived therefrom the payment of the debt.

"(2) The additional indebtedness authorized, including all indebtedness theretofore contracted, which is unpaid or outstanding, for the construction of a sewerage system, or for the procurement of a water supply, or for both such purposes, shall not exceed in aggregate ten percentum (10%) over and above the five percentum (5%) heretofore referred to, of the total valuation of the taxable property of the city or town as ascertained by the last assessment for state and county taxes; and, provided further, that the above limit of five percentum (5%) shall not be extended, unless the question shall have been submitted to a vote of the taxpayers affected thereby, and carried in the affirmative by a vote of the majority of said taxpayers who vote upon such question."[5]

"Terms of bonds--rates of interest. The maximum rate of interest which any bonds may bear shall be six percentum (6%) per annum and shall be payable semiannually."[6]

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[5]Rev. Codes of Mont., 1947, Second Replacement, Vol. 1, part 2, Title 11-966 (5039.63), p. 651.

[6]Rev. Codes of Mont., 1947, Second Replacement, Vol. 1, part 2, Title 11-2304 (5278.4), p. 872.

Registration of Electors

This title stipulates who may vote in a city election concerning city indebtedness and taxes.

"Registration of electors. The council may provide by ordinance for registration of qualified electors who are taxpaying freeholders in such city or town, and no person shall be entitled to register or vote at such election who is not such taxpaying freeholder and qualified elector."[7]

License

This title authorizes the City Council to pass an ordinance requiring license of businesses.

"The city or town council has power: To license all industries, pursuits, professions and occupations, and to impose penalties for failure to comply with such license requirements."[8]

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[7]Rev. Codes of Mont., 1947, Replacement, Vol. 5 part 2, Title 84-4711 (5199), p. 669.

[8]Rev. Codes of Mont., 1947, Vol. 1, part 2, Title 11-903 (5039.2), p. 662.

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